Deferred Payment Reporting Guidelines for Wisconsin Agvance Users

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Based on SSI discussions with the WI Dept of Ag, Trade & Consumer Protection, the following guidelines have been developed by SSI to assist Agvance users in meeting the reporting requirements of the State of Wisconsin. These are guidelines only. Some manual calculation by Agvance users will likely be required, even after running the suggested Agvance report, in order to arrive at the exact numbers required by statute to be reported. Also, note that Agvance does not track the number of days that have passed since title to grain transferred from producer to grain buyer.

This document includes the WI definition of Deferred Payment grain, suggestions on the Agvance reports to run to help users complete the Estimated Default Exposure Monthly Report, and suggestions to help in the calculations required for the end of fiscal year reporting of the Dollar Amount Paid for Producer Grain Procured in Wisconsin and Deferred Payment.

Definition of Deferred Payment

For the purposes of Wisconsin reporting, **deferred payment grain** is grain that has been purchased with title transferring to the grain buyer and payment is not expected to be made or has not been made within 7 days of title being transferred to the grain buyer.

Under this definition, 'deferred payment' grain can include:

- grain settled to deferred payment contract

- grain settled to installment sale contract

- grain settled to Priced-Not Paid where 8 or more days has passed since title transferred

- grain on scale tickets that are on priced assemblies, more than 7 days has passed since title transfer

- settlements to Price Later, Basis Fixed, FF, HTA, Min Price (title transferred and payment not expected to be made within 7 days)

Note: Commodities handled in cwt will need to be converted to Bu. Also, the $ values that WI is looking for are to be calculated similar to the soybean check-off. This means that the dollar value should be after premium/discounts, but before service charges, drying charges, etc.

Estimated Default Exposure Monthly Report

Month Just Ended, Column 1

Break down by commodity, the total bushels of grain purchased and paid for during the entire month (check has been cut).

In Agvance, we suggest running the Settlement Destination Report. Run the report for All Customers, All Commodities, All Locations, for the required time period, for the destination of Priced, select Posted Status of ALL, and use the Summary Option of 'Total by Commodity.' Pull the 'Units Settled' from the Summary section at the end of the report.

<u>Month Just Ended, Column 2</u>

Break down by commodity, the total $ paid (after premium/discounts, before service charges, etc.) for the whole month (check has been cut)

In Agvance, we suggest running the Settlement Destination Report. Run the report for All Customers, All Commodities, All Locations, for the required time period, for the destination of Priced, select Posted Status of ALL, and use the Summary Option of 'Total by Commodity.' Note the Gross Amount for each commodity from the Summary section at the end of the report, and then run the Settlement Deduction/Addition Report for the same time period. Calculate (for each commodity) the sum total of all deductions that ARE premium/discount settlement deductions and subtract that sum total amount from the total Gross Amt for each respective commodity on the settlement destination report. (This should be the approximate dollar value the state of WI is requesting, which should be the value after discounts but before storage, service charges, etc.)

<u>Highest Amount Owed under Deferred Price or Deferred Payment, Column 3</u>

Calculate By Day the number of bushels that were on deferred payment using the definition of deferred payment above. Determine the one day of the month that had the highest bushel amount for all commodities combined.

In Agvance, we suggest that after you run the final, end of day DPR each day, sum the ending balance bushels for each commodity for the following company owned dispositions: Basis Fixed, Future Fixed, Price Later, Hedged to Arrive, Minimum Price, Priced-Not Paid, Deferred Payment and Installment Sale. Then, add that summed bushel amount to the amount of bushels that you believe to have been priced BUT was not paid for within 7 days of title being transferred. Manually write this total amount of unpaid bushels on the DPR.

At month end, review the DPR for each day of the month and determine the day that had the highest cumulative bushel amount unpaid (for all commodities combined), then enter the bushel amount for each commodity.

<u>Highest Amount Owed under Deferred Price or Deferred Payment, Column 4</u>

Calculate **By Day** the total $ amount owed for Deferred Payment grain, using the definition of deferred payment above. Then determine the ONE day of the month that had the highest cumulative $ value for all commodities combined. (We suggest that these calculations be done at end of each business day to make reporting process easier at month end.)

This would include:

- Deferred Payment and Installment Sale

- Price Later, Basis Fixed, Futures Fixed, Hedged-to-Arrive & Minimum Price. (Use the bushel amounts reflected in the DPR at close of each business day. Technically, only the bushels that have had title transferred for more that 7 days should be included.) Use the closing market price for each day to determine the market value for that grain.

- Priced Grain that has not been paid within 7 days of title transfer should be included in totals.

- The $ amount that has been advanced against Basis Fixed contracts, Minimum Price contracts or any other grain included in this calculation should be netted against the total $ amount owed.

In Agvance, we suggest that after you run the final, end of day DPR each day, note the closing market price for each commodity on the DPR.

To estimate the $ amount owed on a given day, calculate the following for each commodity on each day:

1. Add up the bushel amounts in the DPR for company owned grain that is Price Later, Basis Fixed, Futures Fixed, Hedged-to-Arrive, and Minimum Price, and multiply that bushel total by that day's closing market price.   Add or subtract the estimated premiums/discounts that will be applied to each commodity value.

2. Run the Settlement Destination report for Deferred Payment and for Installment Sales (Status = Open and Posted Status = All) and write down the Gross Amount for each commodity

    - Subtract the $ Advances that have been paid against the total bushels from each commodity gross amount.

    - Add the settlement deductions that are premiums.

    - Subtract the settlement deductions that are discounts.

3. Run the Settlement Destination report for Priced and Priced-Not Paid and note the Gross Amount for each commodity. Add together the Gross Amounts of the Priced and Priced-Not Paid for each commodity. Estimate how much of the Gross Amount for each commodity is for Priced, company owned grain where title has been held for at least 7 days and write that amount down.

    - Subtract from each commodity total, the $ Advances that have been paid against the total bushels.

    - Add back the settlement deductions that are not premiums/discounts.

4. Sum the $ amounts from 1) through3) above, for each commodity, for each business day of the month. Determine the day with the highest $ amount owed and enter those amounts by commodity in column 4.

Amounts owed for producer grain on the last day of month line – first box

On the last day of the month, calculate the $ value owed for all grain that has been delivered, priced (includes contracted and spot priced) and title has transferred to grain buyer within the last 7 days.

This would include:

1. Scale tickets on open Priced assemblies where the ticket date and title transfer is within the last 7 days of the month.

- We suggest running the Assembly Sheet Summary report for open assemblies, using a DPR selection of Priced and Calculated Actual Price. Use the summary at the end of the report and estimate the $ amount owed on grain where title transferred within last 7 days of the month.

2. Open settlements made to Priced- Not Paid from a source of any of the storage categories (grain bank, open storage, negative warehouse receipts, non-negative warehouse receipts) and the settlement was within the last 7 days of the month.

- We suggest running the Settlement Destination Report for Priced-Not Paid where the settled date was within the last 7 days of the month. Estimate how many $ are owed (after premiums/discounts) on the remaining units.

3. Grain on settlements made to Priced- Not Paid from a Priced assembly would be included here if title transfer occurred within the last 7 days of the month. Estimate how many $ are owed (after premiums/discounts) on the remaining units.

- We suggest running the Settlement Destination Report for the settlement destination of Priced – Not Paid. Determine how many of the Remaining Units can be attributed to grain where title transferred in last 7 days of the month. Calculate the $ value of those units (after premium/discounts).

- **Note**: Advances paid against any grain included in this calculation (where title transferred in the last 7 days of the month) should be subtracted from the $ amount owed in each of the above.

- We suggest running the Settlement Advance Report to assist in this determination.

4. Sum all of the above $ amounts. Subtract any advances that have already been paid on the eligible grain from steps 1 through 3 and enter that amount in the first box.

- **Note**: Example was given by WI state auditor that if a farmer has been delivering grain against a purchase contract for 2 weeks, only the scale tickets for grain delivered within the last 7 days would be included here. (The other tickets would be considered 'deferred payment' since title transferred more than 7 days earlier and they would be included in the second box amount.)

Amounts owed for producer grain on the last day of month line – second box

Calculate the total $ value of all grain on the last day of the month that meets the definition of deferred payment.

This would include:

1. Priced assemblies (only those scale tickets for grain delivered over 7 days ago where the title was transferred over 7 days ago)

- We suggest running the Assembly Sheet Summary report for open assemblies, a DPR Selection of Priced and Calculated Actual Price. Use the summary at the end of the report and estimate the $ amount owed on grain where title transferred prior to the last 7 days of the month.

2. Open assemblies and settlements to BF, FF, HTA and Min Price

   - We suggest running the Assembly Sheet Summary report for open assemblies for each of the above DPR destinations. The DPR Selection would be BF, FF, HTA and Min Price, and with Calculated Actual Price selected.   Use the summary at the end of the report and the closing prices for the last day of month to estimate the $ amount owed on grain where title transferred prior to the last 7 days of the month.

   - We suggest running the Settlement Destination Report for all customers, all commodities, and all locations, for status of Open and Posted Status of All, for each settlement destination of BF, FF, HTA and Min Price. Do not include settlements made after the last day of the month. Use the Remaining Units from this report and the closing market price for the last day of the month to calculate the $ value after premium discounts (before service charges, etc.).

   - The user might also run the Settlement Advance Report and use it to determine if any advances have been made against any of this grain. If so, the user can reduce the dollar amount owed by the amount of advances that have been made.

3. Open settlements to Priced- Not Paid for grain that was delivered and title has been transferred for at least 7 days.

   - We suggest running the Settlement Destination Report for all customers, all commodities and all locations, for status of Open and Posted Status of All, for the settlement destination of Priced – Not Paid. Do not include settlements made after the last day of the month. Use the Remaining Units from this report and the closing market price for the last day of the month to calculate the $ value after premium discounts (before service charges, etc.).

   - The user might also run the Settlement Advance Report and use it to determine if any advances have been made against any of this grain. If so, the user can reduce the dollar amount owed by the amount of advances that have been made against this grain.

4. Open settlements to Deferred Payment or Installment Sale

   - We suggest running the Settlement Destination Report for all customers, all commodities and all locations, for status of Open and Posted Status of All, for the settlement destinations of Deferred Payment and Installment Sale. Do not include settlements made after the last day of the month. Use the Net Amount from this report and add back the $ amounts of the settlement deductions that were for storage/service charges and other deductions that are not premiums/discounts.

   - The user might also run the Settlement Advance Report and use it to determine if any advances have been made against any of this grain. If so, the user can reduce the dollar amount owed by the amount of advances that have been made against this grain.

5. Sum the amounts of steps 1) through 4) and enter the amount in second box.

Amounts owed for producer grain on the last day of month line - third box

Sum the amounts in the first and second boxes and enter on this line.

Dollar Amount Paid for Producer Grain Procured in Wisconsin and Deferred Payment Form

Total Amount Paid column

Breakdown for each month of the fiscal year, the total $ amount paid each month (check cut), for all commodities combined.

We suggest running the Settlement Destination Report for all customers, all commodities, and all locations, for status of Open, Posted Status of All, for the settlement destination of Priced.   Use the settlement date range to run a separate report for each month.

Note: If the user is required to report monthly, the amount entered here should match the Total line of column 2 that was reported on the Estimated Default Exposure Monthly Report for each month. No recalculation is necessary; just pull those $ amounts and re-enter.

Deferred Payment column

Dollar amount of the first column that was not paid for within 7 days of the title being transferred. (Grain was delivered, priced, title transferred AND more than 7 days went by before the check was cut and payment made.)

This should include:

- Settlements to Priced, where the source was from Deferred Payment, Installment Sale, Basis Fixed, Minimum Price, HTA and Futures Fixed.

- Settlements to Priced, where the source was from priced assemblies and should only include the amount that was payable for more than 7 days.

- Settlements to Priced, where the source was from Priced- Not Paid settlements and should only include the amount that was payable for more than 7 days.

We suggest running the Grain Purchase Report, selecting all Locations, all Commodities, all Customers, and including All Grain Posted Settlements. Use the settlement date range to run a separate report for each month. The report has a section for each commodity / location. Use the Summary Totals section and consider only the items that have a code of (06), (07), (08), (18), (19) (20), (30), (66), and (95). Total up the Gross amounts for each type for each commodity/location. Then net against the total gross amount for each commodity / location, the settlement deductions from the Deduction / Additions Summary that are for premiums/discounts. Finally, sum the $ value for each commodity (by adding all corn / locations together, then soybean / locations, etc.).   Enter the value in this column.

We suggest running this report at end of each month to alleviate having to do all of these individual monthly calculations at the fiscal year end.

Total Bushels Paid For column

Shows the number of bushels represented by the dollar amount in column 1.

We suggest using the same Settlement Destination Reports that were used for calculating column 1 but use the Grand total line for the Units Settled column.